

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
**03-004**

2. STATE  
Washington

FOR: HEALTH CARE FINANCING ADMINISTRATION

**RECEIVED**

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

**MAR 26 2003**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE  
Feb. 1, 2003

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:

a. FFY 2002 (~~\$ 11,485~~)

b. FFY 2003 (~~\$ 13,327~~)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 3.1-A, pages 5-3 & 5-4

Attachment 3.1-B, pages 4-3 & 4-4

Attachment 4.19-B, pages 2-b & 2-c

Supplement A to attachment 4.19-B, pages 1-3

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Attachment 3.1-A, page 5-3

Attachment 3.1-B, page 4-3

Attachment 4319-B, pages 2-b & 2-c

Supplement A to attachment 4.19-B, pages 1 & 2

10. SUBJECT OF AMENDMENT:

Mail Order Delivery Service for Prescription Drugs

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:  
DENNIS BRADDOCK

14. TITLE:  
Secretary

15. DATE SUBMITTED:

**3/25/03**

16. RETURN TO:

Department of Social and Health Services

Medical Assistance Administration

925 Plum St SE MS: 45533

Olympia, WA 98504-5533

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: **MAR 26 2003**

18. DATE APPROVED: **JUN 23 2003**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: **FEB - 1 2003**

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: **Karen S. O'Connor**

22. TITLE: **Associate Regional Administrator  
Division of Medicaid &  
Children's Health**

23. REMARKS:

**POSTMARKED: 3/25**

**Olympia**

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: Washington

## 12. a. Prescribed drugs (cont'd)

Mail Order Delivery Service for Prescription Drugs

- (11) The state contracts for a mail-order delivery service for prescription drugs through a competitive bid process. This service is available to all fee-for-service Medicaid clients statewide. Clients have the option of having prescriptions filled at either a local retail outlet of their choice or by the mail-order contractor.

All policies and procedures that apply to retail pharmacies also apply to the mail-order contractor, except for the following:

- (A) The mail-order contractor is reimbursed at a mutually agreed upon level that is less than reimbursement provided to local retail pharmacies; and
- (B) If authorized by the prescriber, the mail-order contractor may dispense the following drugs in up to a ninety-day supply:
- (i) Preferred drugs identified by the state;
  - (ii) Generic drugs; and
  - (iii) Drugs that do not require prior authorization or expedited prior authorization.

## b. Dentures

Prior approval for cast base partial dentures

## c. Prosthetic devices

- (1) Prior approval
- (2) Hearing aids provided on the basis of minimal decibel loss

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12. d. Eyeglasses
- (1) Contact lenses and two pairs of glasses in lieu of bifocal or trifocal lenses require prior approval.
  - (2) Sunglasses, photochromatic or varilux type lenses and orthoptic therapy are not provided.
  - (3) Group screening for eyeglasses is not permitted.
  - (4) Limited to one refraction and one pair of glasses in a twelve-month period except in extenuating circumstances when medically necessary.
13. a. Diagnostic Services  
As needed and approved

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: Washington12. a. Prescribed Drugs Therapeutic Consultation Service (Cont.)

drug. TCS is not a limit, but rather a service to provide a clinical pharmacy review of the client's entire drug therapy. This review is conducted to assure that Medicaid clients are receiving appropriate drug therapy, without therapeutic duplication or without potentially serious drug-drug interactions or drug-disease conflicts. Prescribers will be available that indicate the numbers of prescriptions that were dispensed as originally ordered by the prescriber.

Supplemental rebate agreement

- (10) The state is in compliance with Section 1927 of the Act. Based on the following requirements for Section 1927 of the Act, the state has the following policies for drug rebate agreements:
- Manufacturers are allowed to audit utilization rates;
  - The unit rebate amount is confidential and cannot be disclosed for purposes other than rebate invoicing and verification, in accordance with Section 1927(b)(3)(D); and
  - Rebate agreements between the state and a drug manufacturer that are separate from the drug rebate agreements of Section 1927 are approved by the Centers for Medicare and Medicaid Services. The state reports rebates from separate agreements to the Secretary for Health and Human Services. The state will remit the federal portion of any cash state supplemental rebates collected.

Mail Order Delivery Service for Prescription Drugs

- (11) The state contracts for a mail-order delivery service for prescription drugs through a competitive bid process. This service is available to all fee-for-service Medicaid clients statewide. Clients have the option of having prescriptions filled at either a local retail outlet of their choice or by the mail-order contractor.

All policies and procedures that apply to retail pharmacies also apply to the mail-order contractor, except for the following:

- (A) The mail-order contractor is reimbursed at a mutually agreed upon level that is less than reimbursement provided to local retail pharmacies; and

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12. a. Prescribed drugs Mail Order Delivery Service for Prescription Drugs (cont'd)
- (B) If authorized by the prescriber, the mail-order contractor may dispense the following drugs in up to a ninety-day supply:
- (i) Preferred drugs identified by the state;
  - (ii) Generic drugs; and
  - (iii) Drugs that do not require prior authorization or expedited prior authorization.

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State WASHINGTON

## IV. B. (cont'd)

4. The single state agency shall determine EAC by periodically determining the pharmacies' average acquisition costs for a sample of drug codes. The average cost shall be based on in-state wholesalers' published prices to subscribers, plus an average upcharge, if applicable. The single state agency shall pay the EAC for a multiplesource product if the EAC is less than the MAC/AMAC established for that product.

## C. Upper Limits for "Other" drugs:

1. An "other" drug is defined as a brand name (single source) drug, a multiple-source drug where significant clinical differences exist between the branded product and generic equivalents, or a drug with limited availability.
2. Payments for "other" drugs are based on Average Wholesale Price (AWP) less a specified percentage. AWP is determined using price information provided by the drug file contractor.
3. See Supplement A for current EAC percentages.

## D. Dispensing Fee Determination:

1. The department sets pharmacy dispensing fees based on results of periodic surveys.
2. The current dispensing fee payment system is multi-tiered. The dispensing fee paid to a pharmacy depends upon that pharmacy's total annual prescription volume (both Medicaid and non-Medicaid), as reported to the department. The exception to this is the contracted mail-order delivery service for prescription drugs; the dispensing fee is agreed upon during the Request For Proposal (RFP) process.

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## IV. D. (cont'd)

3. Pharmacies providing unit dose delivery service are paid the department's highest allowable dispensing fee for unit dose prescriptions dispensed. All other prescriptions filled by these pharmacies are paid at the dispensing fee level applicable to their annual prescription volume. The exception to this is the contracted mail-order delivery service for prescription drugs; the dispensing fee is agreed upon during the Request For Proposal (RFP) process.
4. A dispensing fee is paid for each ingredient in a compound prescription.
5. See Supplement A for current dispensing fees.

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TN # 02-001

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REIMBURSEMENT FOR PHARMACY SERVICES (Cont.)

III. Estimated Acquisition Cost (EAC)

- A. First DataBank derives the Average Wholesale Price (AWP) of each product based on information they receive directly from each manufacturer or labeler. The appropriate percentage of the AWP that represents the Estimated Acquisition Cost (EAC) is determined.
- B. Currently applied EAC percentages, effective for dates of service on and after 8/1/02, are:
- AWP-14% for single source drugs;
  - AWP-14% for multisource drugs with four or fewer manufacturers/labelers;
  - AWP-50% for multisource drugs with five or more manufacturers/labelers and no MAC or FUL; and
  - 100% of certified AWP for infusion, injectable, and inhalation drugs with certified AWP.
- C. For the contracted mail-order delivery service of prescription drugs, the contractor/pharmacy guarantees that the average annual multisource discount, in aggregate for all drugs dispensed, will be at least 60% of AWP. An annual reconciliation will be performed and the contractor will pay any shortfall on a dollar-for-dollar basis. Contracted mail order delivery service for prescription drugs started 2/1/03. The EAC percentages for the contractor/pharmacy are:
- AWP-19% for single source drugs; and
  - AWP-15% for multisource drugs.

IV. Dispensing Fees

- A. A three-tier dispensing fee structure is used, with an adjusted fee allowed for pharmacies that participate in the Modified Unit Dose and/or True Unit Dose programs. The exception to the tiered dispensing fee system is the contractor/pharmacy that contracts to provide mail-order delivery service for prescription drugs; the mail-order dispensing fee is determined as a result of the competitive procurement process.

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REIMBURSEMENT FOR PHARMACY SERVICES (Cont.)

B. Listed below are the dispensing fee allowances for each drug ingredient in compounded and non-compounded prescriptions for pharmacies, effective for dates of service on and after 7/1/02:

- High-volume pharmacies (over 35,000 Rxs/yr)..... \$4.20/Rx
- Mid-volume pharmacies (15,001-35,000 Rxs/yr) ..... \$4.51/Rx
- Low volume pharmacies (15,000 Rxs/yr and under)..... \$5.20/Rx
- Unit Dose Systems..... \$5.20/Rx

C. A provider's dispensing fee is determined by the volume of prescriptions the pharmacy fills for medical assistance clients and the general public, as indicated on the annual prescription count survey distributed to pharmacies. The exception to this is the contractor/pharmacy that contracts to provide mail-order delivery service for prescription drugs; the mail-order dispensing fee is determined as a result of the competitive procurement process.

Contracted mail order delivery service for prescription drugs started 2/1/03. The dispensing fee for the contractor/pharmacy is:

- Contracted mail-order delivery service dispensing fee.....\$3.25/Rx

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REIMBURSEMENT FOR PHARMACY SERVICES (cont'd)

V. Dispensing Fees (cont'd)

- C. A provider's dispensing fee is determined by the volume of prescriptions the pharmacy fills for medical assistance clients and the general public, as indicated on the annual prescription count survey distributed to pharmacies. The exception to this is contractor/pharmacy that contracts to provide mail-order delivery service for prescription drugs; the fee is agreed upon during the request for proposal process.

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